

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

January 30, 1997 LB 61

do, to get a cut of the take. So the state of Nebraska, the body of the Legislature created an insurance premium tax, and an insurance premium tax, and the percentage varies depending on the type of insurance that is sold, but it is a payment of tax on premiums collected by the insurance companies in the state of Nebraska. Now the rulers of the state of Nebraska, sometime after that, found that this band of what had now become honorable citizens was not contributing as much as what they thought...thought this band of honorable citizens should contribute. So we enacted a corporate income tax, which was also applied to the insurance companies who were operating or licensed to operate in the state of Nebraska. Well, the insurance companies said, now wait a minute. We are already paying a tax on all of the premiums for policies that are sold into the state of Nebraska, we ought to be given that as a credit against our income tax that might be due if and when we ever make any money from our base of operations here in Nebraska. And the rulers of the land said, that sounds fair. So we ended up with a situation in which, and it is a good situation, whatever the taxes are that accumulate throughout a year, business year, on policies sold by an insurance company are able to be taken as a credit against whatever income taxes that are due for the tax year of that insurance company. So what is the problem? For some period of time, Nebraskans have crossed over into other states bearing insurance policies that they have either purchased in Nebraska or perhaps residents of other states have purchased insurance policies from companies doing...registered to do business in Nebraska but not registered to do business in the state of the residence of the policyholder, no matter how they got there. So the...since our corporate income tax is only based upon the earnings of that corporation for business done in the state of Nebraska, and the credit is given for premium tax paid on all premiums, and the profits, if there are any, from premiums paid...from premiums sold or held in states that this company is not licensed to do business in as a domestic corporation are allowed as credit against no income tax. So what LB 61 does is says that for the purpose of taxing insurance companies, domestic insurance companies, you may take as a credit the amount of premium tax paid on policies in the state that are sold and exist in the state of Nebraska as a credit against your corporate income tax as it has accrued from the business you do within the borders of